Salt Core NZ Shares Fund Fact Sheet – August 2023

Manager Profile

Salt Funds Management is a boutique investment management firm wholly owned by its employees which specialises in actively seeking to maximise returns while managing the risks of the investment. Salt examines investments for their environmental and social impact as well as the quality of their governance.

Investment Strategy

The Salt Core NZ Shares Fund targets a portfolio of shares of New Zealand companies that may, in our opinion, provide a high total return. The Fund may also invest opportunistically in shares of Australian companies.

The Fund's investment process has been designed to facilitate selection of stocks such that the overall portfolio generates an above market total return after each stock is qualified through a number of quality and sustainability screens generated by Salt's disciplined research effort.

Fund Facts at 31 August 2023

Benchmark	S&P/NZX 50 Gross Index
Fund Assets	$43 million
Inception Date	1 December 2020
Portfolio Manager	Paul Harrison

Unit Price at 31 August 2023

Application	0.8878
Redemption	0.8842

Investment Guidelines

The guidelines for the Salt Core NZ Shares Fund are shown below:

NZ shares	50% – 100%
Australian Shares	0% – 50%
Unlisted securities	0% – 3%
Cash or cash equivalents	0% - 20%

Target investment Mix

The target investment mix for the Salt Core NZ Shares Fund is:

Australasian Equities	100%

Fund Allocation at 31 August 2023

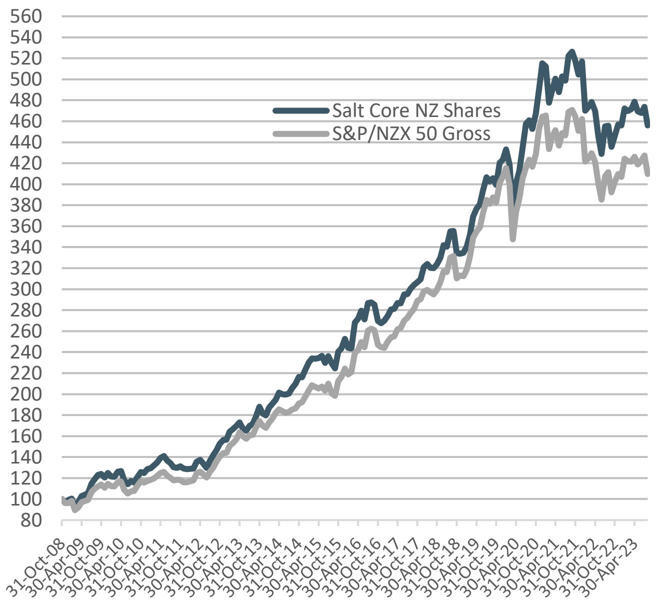
NZ shares	94.11%
Australian Shares	2.58%
Cash or cash equivalents	3.32%

Fund Performance to 31 August 2023

Period	Fund Return*	Benchmark Return
1 month	-3.71%	-4.16%
3 months	-2.81%	-2.20%
6 months	-2.89%	-2.87%
1 year	0.08%	-0.40%
2 years p.a.	-6.54%	-6.51%
3 years p.a.	-0.35%	-1.08%
5 years p.a.	5.13%	4.41%
7 years p.a.	6.82%	6.58%
10 years p.a.	10.27%	9.79%
Inception p.a.	10.08%	9.25%

Performance is after all fees and does not include imputation credits or PIE tax.
*From 1 December 2009 to 30 December 2020, performance is from a fund with the same strategy and the same portfolio manager.

Cumulative Fund Performance to 31 August 2023*



Fund performance has been rebased to 100 from inception.
Past performance is not a reliable indicator of future performance and no representation or warranty, express or implied, is made regarding future performance.

Top Overweights	Top Underweights
Infratil	Auckland International Airport
Fisher & Paykel Healthcare	Meridian Energy
Freightways	Sky City
Spark	Property for Industry
Argosy	Chorus Networks

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Equities Market Commentary

Volatility returned in August reflecting a mixed reporting season in many countries and a rise in concerns re the health of the Chinese economy and property market. Developed market equities declined -2.4% (in USD) over the month while the Bloomberg Global Aggregate bond index fell -1.4% (USD).

Fitch downgraded the US sovereign credit rating from AAA to AA+, citing unsustainable fiscal settings and increasing political dysfunction. The move was largely dismissed by US politicians and economists alike but it highlights that the fiscal settings of several key developed economies are on an unsustainable path. US data remained solid, keeping markets anticipating the possibility of one final interest rate hike from the FOMC. Core inflation fell slightly, but at 4.7% YoY, it remains too high for comfort. Eurozone GDP data surpassed expectations and the labour market remains tight with the unemployment rate at its lowest ever level. The outlook remains uncertain, however, with the August composite PMI falling to 47.

Japan grew +6.0% q/q annualised in the second quarter, the core CPI rose to 4.3% in July and the spring (Shunto) wage negotiations saw the biggest wage increase in three decades. Markets need to be alert to further tweaks to Japan's monetary policy settings. Chinese data was much weaker than expected including retail sales and private investment, particularly in real estate. Inflation turned negative in July. The PBoC cuts rates twice in the month and China's troubles may weigh on markets for some time.

Australian data provided little reason for the RBA to shift from its current "wait and see" approach. The NZ labour market continued to ease, but only gradually, with unemployment rate at 3.6% in June, off the lows of 3.2%. We expect sharper increases in unemployment over the remainder of this year. Retail spending came in weaker than expected for the quarter, failing to deliver the expected "bump" from the FIFA women's world cup and strong population growth. As expected, the RBNZ left interest rates unchanged at the August Monetary Policy Statement.

Salt Core NZ Shares Fund Commentary

Investors faced a challenging month in August with many companies reporting their earnings and giving updates on current trading conditions. New Zealand and Australia generally had one of its most underwhelming reporting seasons. This did little to support softening sentiment and we saw the NZX50Gross index fall -4.16% over the month. The Fund outperformed its benchmark over August with a return of -3.71%.

The Fund's relative performance benefited from its underweight in Auckland Airport (-7.0%). Auckland Airport continues to be expensive from a valuation viewpoint and we are concerned that air traffic recovery towards pre-Covid levels is proving to be slow. In addition, there appears to be a hardening of the regulatory view on the rate of return allowed on airport infrastructure assets. The Auckland Council stake sale process was also creating an overhang (resolved post month-end).

Other tailwinds came from being underweight some stocks that experienced large falls. These included a2 Milk (-9.4%) and Synlait (-19.8%) which fell on nervousness around Chinese economic and population growth. Property stocks were particularly challenged over August with the NZX Real Estate Select Index falling 6.6%. The Fund does not own some of the smaller cap stocks which are exposed to consumer spending such as Vista Group (-15.8%), KMD Brands (-8.8%), and Restaurant Brands (-31.1%).

The Gentailers had a mixed month with Meridian Energy (-5.0%), Genesis Energy, and Mercury Energy (-5.8%) all falling while Contact Energy (+0.7%) which the Fund is overweight, rose slightly.

The largest negative for the Fund came from the slide in Fisher & Paykel Healthcare (-7.6%) on the back of a weaker update than expected at its AGM.

During the month the Manager sought to reduce its exposure to the listed property companies GMT and Precinct as well as, further lowered its a2 Milk and Ebos holdings. Given the weakness of the market the Manager was a cautious buyer of Mainfreight, Infratil, Serko, and Contact Energy but also was a buyer of names it would not normally buy such as Auckland Airport and Genesis Energy which had both come under selling pressure for non-fundamental reasons.

Paul Harrison, MBA, CA